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沈機集團昆明機床股份有限公司

SHENJI GROUP KUNMING MACHINE TOOL COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0300)

**Further Announcement on Disposal of Assets
by way of Public Listing-for-sale and Suspension of Listing Risk Warning**

The board of directors (the “Board”) of Shenji Group Kunming Machine Tool Company Limited (the “Company”) and all members of the Board warrant that there are no false representations, misleading statements and material omissions in this announcement, and are severally and jointly responsible for the authenticity, accuracy and completeness of the content herein.

I. Further information of disposal of assets by way of public listing-for-sale

Following the Company’s announcement of Further Announcement on Disposal of Assets by way of Public Listing-for-sale and Suspension of Listing Risk Warning released yesterday that no. 1, 2, and 3 matters of disposal of assets by way of public listing-for-sale have been closed. During the listing period, no intention transferee who met the terms of transferee was solicited.

Today, the Company received the notice from Yunnan Equity Exchange. The progress of the other 2 matters of disposal of assets by way of public listing-for-sale are as follows:

4. On 14 November 2016, the Company transferred its 45% equity interests of Xi’an Ser via the Yunnan Equity Exchange by way of public listing-for-sale.
5. On 24 November 2016, the Company disposed its trademarks in respect of its Horizontal Machines and Table-Type Machines tools via the Yunnan Equity Exchange by way of public listing-for-sale.

As at the date of this announcement, the no. 4 and 5 matters of disposal of assets by way of public listing-for-sale have been closed. During the listing period, no intention transferee who met the terms of transferee was solicited.

Details of disposal of assets by way of public listing-for-sale can be viewed through visiting the website of Yunnan Equity Exchange Co., Ltd. at www.cynce.net.

Since the related disposal of assets by way of public listing-for-sale cannot be completed before 31 December 2016, the Company's planned turnaround measures cannot be completely achieved. Investors are advised to pay attention to risks!

II. Other implications of disposal of assets by way of public listing-for-sale and Risk of Suspension of Listing

A delisting risk warning on the A Shares had been issued by the Shanghai Stock Exchange since 1 April 2016 pursuant to the Shanghai Listing Rules in view of the Company sustained an audited net loss for each of the two most recent consecutive financial years ended 31 December 2014 and 31 December 2015.

Under the Shanghai Listing Rules, the Shanghai Stock Exchange will suspend listing of the A Shares if the Company continues to sustain an audited loss for the financial year ending 31 December 2016. As at 30 September 2016, the Company continued to sustain an unaudited loss of approximately RMB160 million.

In order to make the audited net loss for the financial year ending 31 December 2016 turnaround, the Company's planned turnaround measures included: cooperating with the government to complete the matter of the compensation for Land and Buildings Resumption and the 5 matters of disposal of assets by way of public listing-for-sale.

Since the 5 matters of disposal of assets by way of public listing-for-sale cannot be completed on or before 31 December 2016, it is expected that the Company will continue to sustain an audited net loss for the financial year ending 31 December 2016 and will remain subject to the risk of the A Shares being suspended for listing by the Shanghai Stock Exchange pursuant to the Shanghai Listing Rules. This is the risk warning.

Board of Directors
Shenji Group Kunming Machine Tool Company Limited

Kunming, PRC, 23 December 2016

As at the date of this announcement, the Company's executive directors are Mr. Wang Xing, Mr. Chang Baoqiang, Mr. Zhang Xiaoyi and Mr. Jin Xiaofeng; non-executive directors are Mr. Zhang Tao, Mr. Liu Yan, Ms. Liu Haijie and Mr. Zhang Zeshun; and the independent non-executive directors are Mr. Yang Xiongsheng, Mr. Tang Chunsheng, Mr. Chen Fusheng and Mr. Liu Qiang.